



## Village By Village

JULY 11, 2014 • THOMAS M. KOSTIGEN

Richard Parsons, the former chairman of Citigroup and the former chairman and chief executive of Time Warner, who co-chaired a commission on Social Security for George W. Bush, and who was a member of the economic advisory team for President Barack Obama, not to mention a current member of the board of directors for the Commission on Presidential Debates, ambles into the corner office on the 26th floor of this Manhattan high-rise where the impact investing firm he founded with his friend Ronald Lauder, the billionaire cosmetics heir and philanthropist, is located.

The firm is the PanAfrican Investment Co. LLC. It's personally funded by Parsons and Lauder.

Parsons is a big man, standing at 6-feet, 4-inches, and he is imposing. He leans in to shake your hand or speak with you. And his energy, like many people of power, is felt; he charges a room just by his mere presence.

The only hint of Parsons being 66 years old is the wisps of gray at his temple. His gait is solid and quick. His body language is open to the people he encounters, as a politician's might be, and unlike the closed and careful gesticulations of celebrities or business magnates. (Parsons was rumored to have considered running for mayor of New York City in 2006.) He goes by "Dick."

Blue, open-collared shirt. Dress slacks. Oval-framed glasses. He is the epitome of a successful businessman who doesn't have to try, who could be spotted at "21" or in the lobby of the Carlton Cannes. It's the demeanor that makes this man.

The office buzzes with his presence. All seven of the firm's employees have been eagerly awaiting his arrival. And now that he is here, they are noticeably aflutter.

I am in a small office interviewing one of the firm's directors, Lior Prozor, a former venture capital executive. Another employee knocks on the door frame, pops his head in and announces that "one of the founders" has arrived and I must cut off my interview; Prozor is needed down the hall.

I follow Prozor to the corner office, where Parsons is standing. He shakes my hand firmly, strongly, like a man should. He looks straight into my eyes. Then he sits at a round table, on top of which is one of those starfish looking speakerphones designed for group conference calls. As materials are passed around and the call is set to begin, Parsons checks his smartphone.

The call and meeting are a financial review of all the investments that PIC has made—and is considering. There are fewer than a dozen people sitting around a table in New York City, yet the decisions they will make could affect the lives of thousands—half a world away in sub-Saharan Africa. Jobs will be created. Incomes earned. Communities fortified. Standards of living bettered. And if all goes well, the investments made will earn a nice

financial return to boot.

This is impact investing in action.

### **Longtime Friends**

Parsons and Lauder have been the best of friends for decades. Dana Reed, PIC's chief executive, on the other hand, is the hired gun. She is a financial pro with all the right education and experience to run PIC as the venture capital firm it's meant to be. She was a fellow at the Export-Import Bank of the United States during business school. She built out a mergers and acquisitions advisory unit at a boutique firm, spent time at J.P. Morgan, and then worked the buy side—just as the markets collapsed in 2008. Parsons plucked her two years ago from the asset management business she was helping to run and grow, and which he had taken a majority ownership in.

Of course there is the “doing good” aspect to Reed's mission as CEO. But that is incidental to her focus. Which is finding good deals. Which means finding good investment opportunities. Which means finding good companies in which to invest. Which means a lot of hard work, due diligence and understanding.

The fund's focus is on Africa because that's where impact can be felt by turning on the capital spigot. Besides, Parsons and Lauder had already formed business interests in Rwanda and they wanted to add to those.

Still, you hear a lot about “deal flow” issues in the impact investing world. How do you source deals? How do you vet deals? How do you fund deals thousands of miles away? Never mind ongoing due diligence.

For Reed, deal flow hasn't been a problem. Entrepreneurs find her or she meets an entrepreneur on the ground. Or she has an idea. Reed has lots of ideas. She looks for opportunities when she visits a place. She might hear about something missing in the marketplace or someone doing something different in the marketplace. Then she tries to connect the dots, her investment filling the gaps. She is building an ecosystem, a structured, flowing, dynamic ecosystem that adapts to the market and market conditions.

“I don't have a business plan, but the mission is to do good, and to do well. To create a return on capital while creating an identifiable social impact. That is my mission. That's my mandate, and it's as broad as that,” Reed says. “Last year, would a business plan look different than what I would write today? Yes. Last year, I said I wouldn't have looked at South Africa. I would have said sub-Saharan, not South Africa. I figured [South Africa] was done, that it was a place we heard about 20 years ago, that there probably are not these small niche opportunities that we're looking for there. I couldn't have been more wrong. There's a huge divide between the classes there. There's a lot of impact to be created that is needed.”

Unlike a fund that has to invest within certain sectors or parameters or risk alienating investors who position portfolios as part of a larger asset allocation strategy, PIC—because it's privately funded—can do whatever it wants, as long as the partners are on board. And so far so good. Reed says while the portfolio of investments is young, it's performing well and as expected—if not better.

## No Fear

Reed isn't afraid of taking chances or seeking out opportunities. She is looking for investments that break out of the pack, not go along with it.

"I'm not suggesting that there aren't opportunities in big infrastructure—the dams and hydro. ... We've actually looked at hydro. We just haven't figured out how to play in that space because there's already huge financial institutions there," Reed says. What's more interesting to her are the overlooked opportunities in the communities near the dams and hydro plants.

But how do you see those opportunities? It sounds simple enough. And it is. Although it is not standard practice for an impact investment fund.

"How do you invest in Africa? Well, buy a plane ticket," she says. Armed with her HP 12C calculator that she's had for 20 years, she hits the road.

PIC has someone on the ground in Africa at least once a month. That's where ideas spawn.

"My first investment was a company called Binu," Reed recalls. "I was three hours outside of Kigali, [Rwanda] going to see a hydro plant. We were approaching a refugee village. Immigrants are coming in. I was looking at what were atrocious living conditions. ... [And yet] I noticed that all these kids had cell phones. There's no water. There's no electricity, which I thought we were going to try to fix. There's no nothing, but they all had cell phones. It struck me. I got back [to New York] and I had a ton of deals on my desk. One of them was this company called Binu and it's Australian based ... or domiciled. It's a technology solution for the developing world. What does it do? It takes dumb phones, which all these kids in the villages have, and turns them into smart phones.

"I said, 'This is a computer.' We forget that, but if you're bringing the news, books, even fun things like Facebook, and then you're connecting them to the outside world, it's the same connection. I think some of the bad that's been able to happen in Africa has been because they're so disconnected. They don't know what's going on. To me, I found [Binu's technology] to be hugely impactful."

Of course, the technology alone might be enough for most fund managers. But Reed takes it a step further: Because Binu can upload books, when she was in the Ivory Coast meeting with the education minister, she asked if he wanted more books in classrooms. Binu's technology solution was evident.

"They loved it. Those talks are going on. We don't just invest. We don't just write a check. We actively engage with management and help the business to grow," she emphasizes.

It's that personal touch, experiential in nature, that leads to thinking in terms of synergy, investing in terms of the bigger picture and adding value in more ways than mere capital can account for. Moreover, it's a pretty cool way of doing business.

## **Eight Companies**

PIC is really eight companies—so far. It comprises eight investments—seven announced and one pending—as of May. Like any fund, it's a vehicle that lives—or dies—by the parts of its sum. So to ground those foundational elements and to ensure PIC not just survives but thrives (to steal a word from the current zeitgeist), it does something unusual: It advises and engages with a company's management on everything from accounting to marketing.

"We want to obviously monitor our companies, but it's more than that. We want to market our investments and see how they can actually be used on an everyday basis," Reed says, adding, "we happen to have a lot of ... relationships that are just far reaching."

Which is an understatement, of course, considering the networks of Parsons and Lauder.

This is how PIC's own Web site describes Lauder: "International philanthropist, diplomat, public servant, entrepreneur, investor and patron of the arts, Ronald S. Lauder combines a deep commitment to his Jewish heritage with a global mastery of business to create a mosaic of philanthropic and professional endeavors that literally reaches around the world."

Lauder, the son of the late Estée and Joseph Lauder, founders of The Estée Lauder Companies Inc., the cosmetics giant, has been a U.S. ambassador, deputy assistant secretary of defense, and chairman of everything from public television companies to his foundation, well-known for doing a world of good. PIC builds on that ethos. Of course, rather than philanthropy, its mission is to make money. More formally, PIC's mission statement is "to identify, invest in and provide solutions that affect growth and development in sub-Saharan Africa. As PIC invests, Africa profits."

Understanding what PIC does is relatively easy: It's an impact investment fund. Understanding how it does what it does is somewhat more nuanced, as Reed explained to me. It's more of an embrace of the Nike slogan, "Just Do It." And then there is, above all, why PIC does what it does.

To be sure, it's to create impact. And through its underlying holdings, it exemplifies how it accomplishes that mission.

## **Built On Individuals**

Rahama Wright is a perfect example of the type of entrepreneur PIC invests in.

Born to Peace Corps volunteers, Wright followed in her parents' footsteps. She did her Peace Corps stint in Mali. "I saw extreme poverty, especially with women," Wright tells me, afire with energy and passion for her business solution to helping women in Africa.

But while in the Peace Corps, she says she felt helpless. "These people didn't need another Peace Corps volunteer; they needed money, or a doctor."

While Wright isn't a doctor, she is business savvy. And she noticed African women harvesting shea trees for their seeds. Shea seed extract can be turned into oil and butter and is widely used in the cosmetics industry.

"But there was a disconnect between the market and these women," Wright explains. Women were selling shea seeds at 15 cents to 30 cents a pound. Yet the broker to whom they were selling was turning around and selling it to producers at two dollars a pound.

Wright decided to fix the gap to increase incomes and in turn improve the quality of lives for people in the village by creating a co-op. She began her company, Shea Yeleen International, in which PIC is now an investor.

Wright's original goal was to increase incomes to middle-class status—\$150 per month. She is on her way to doing that. But she also very quickly realized that there was a global opportunity with her brand. Her body care line produces soaps, lip balms and body butters available in over 40 Whole Foods stores in the U.S. She has attracted world-class talent: Michelle Sitton, a Fortune 100 experienced brand builder, has joined Wright's team. And Lauder's connections in the cosmetics industry don't hurt, either.

"We've created a model supply chain to value chain that shows individual and financial impact. I know the women in the co-op, and they know me," Wright says proudly.

Beyond growing the brand and improving more lives, Wright is also eyeing the gap between producers and consumers' knowledge of where their products come from. Sitton says a magical and powerful formula can be created if consumers rethink their personal relationship with the world through the products they buy.

Wright, whose mother is Ghanian and whose father is American, is bringing together two worlds that she, if you think about it, actually emblems. And she is thriving.

"I want to build her up to get to the second stage like a proper Series B," Reed says. "Then you bring in more traditional investors. She needs the help.

Anyway, why is this important? The two heads of the co-ops came here to New York. They were in my conference room, and I just asked them to tell me their story. I had goosebumps. I taped it. I was that moved. [One of the women told] me that for five generations they've lived in poverty. Since meeting her, Rahama, the poverty level was \$25 a month. Now they make \$75 a month. They can send their kids to school."

The obvious benefit for Wright is PIC's investment. But the relationship extends beyond the value of capital and hits at the heart of PIC's mission: as PIC invests, Africa profits.

#### *The Starting Seven*

*PIC invests as much as \$5 million per deal across myriad sectors, but with an eye for health care, education and technology. They're aiming at the "village level."*

*Here are the seven company investments in PIC's portfolio to date:*

- *Binu (binu.com) is an app developer that gives basic mobile phones smartphone features such as Internet access and downloadable apps.*
  - *PrePex (prepex.com) makes devices used for safe, non-surgical adult male circumcision in resource-limited settings as a means to prevent the spread of HIV.*
  - *Trunity (trunity.com) produces digital textbooks and course materials that can be delivered via computer "cloud" service.*
  - *Daily Secret (dailysecret.com) is a digital media brand for travelers around the world that covers Africa and 35 other markets.*
  - *Bridge International Academies (bridgeinternationalacademies.com) is the world's largest chain of primary and pre-primary schools, bringing world-class education to the poorest of the poor. Its goal is to educate 10 million children across a dozen countries by 2015.*
  - *Shea Yeleen (sheayeleen.com) is a natural skin care products company.*
  - *Mobius Motors (mobiusmotors.com) designs, manufactures and sells durable, affordable vehicles for Africa's mass market.*
-